How Technology Business Management (TBM) is Remedying the Middle-Market's M&A Blues

By Alex-Paul Manders

Middle market CIOs and CFOs face an uphill challenge in creating value in the midst of an M&A initiative; deals may not meet their expected valuation if cost transparency is not evident, analytics are not in place, and if IT and the business are not aligned. Technology Business Management (TBM) and IT analytics will help drive the business transformation that a merger or acquisition should create, leading to a new and stronger entity. An integrative process established early in the strategy and due-diligence phases creates a strong foundation for collaborative success, and places TBM at the center of both the M&A deal and the firm's operational future.

The TBM discipline is creating a data revolution that helps the enterprise to continuously evaluate and adjust IT resources in order to optimize their quality and value. It creates the kind of end-to-end visibility that can now be achieved and advanced by technology, so that business leaders are making real-time decisions on precision data and benchmarks.

If that seems obvious, it's because success in today's environment requires this strategic approach to managing IT spend so that it delivers a better line-of-sight toward how new IT initiatives benefit the bottom line. That isn't just because of financial or other transitions in the M&A process and an accountability to deliver value to stakeholders. All facets of business increasingly depend on building that better bridge between IT and the business. Most importantly, the alignment between IT and Finance is critical for achieving the transparency needed, and to be able to more effectively develop financial business cases around IT investments, and to offer solid metrics as proof of the effectiveness of any given IT initiative. TBM and IT analytics solutions deliver better visibility and a more innovative IT environment that leads to added value, as opposed to mere day-to-day IT functionality. These TBM tools are geared toward critical cost transparencies, and empower Finance with the information they need to forecast investments, better understand the business value of IT initiatives, and to manage shadow IT and cloud sprawl.

As business lines up the demand for innovation and agility, and the budget to support it, managers with better insight into costs at the M&A outset will be able to better support financial forecasting and planning, and then start to reduce the Run-the-Business (RTB) while driving transformation with a Change-the-Business (CTB) approach, and tomore accurately fund innovation to satisfy the business.

The transparency is especially important in the middle market with companies valued at under $1 billion. Such entities often lack the analytics and insights into IT cost, and may not have an in-depth approach to aligning IT with the business. But CIOs in middle market companies are faced with the challenge of growing revenues, decreasing costs and mitigating risk too. Answering the "why is this important to me" question is the key at multiple levels.

Alex-Paul Manders is a pioneer in the technology business management (TBM) space.

Let's look at the reasons why you've always made decisions based on the best available data. The two greatest challenges most CIOs and their colleagues face involve confidence in the data they already have, and the capacity to deliver and analyze the data they need in the future, and to communicate that information to the business in a way that is meaningful to them. It's easy to see how cyclical the process becomes, because reliable foresight into what you'll need depends on the quality of the data you already have. Early-stage assessment of IT resources, how they're deployed, and to what purpose now, needs to be highly accurate – and the best way to ensure that cost transparency is to conduct a meticulous analysis of performance that includes insights from a cross-functional team.

Most M&A strategists are looking at the bottom line, and that means a 360-degree view of IT spend. There are lots of possibilities for cutting costs on the basis of legacy systems and their divestiture, vendor contracts that can be revisited, and a host of other considerations. Executives and their team members leading the M&A transaction are trying to beat the odds, because half to two-thirds of all deals – depending on the numbers discovered by many sources – fail to deliver the desired rate of return. Yet when IT is seen solely as a cost center, the decisions made about divestiture often miss the big-picture rationale and value that the strategic TBM approaches more readily reveal. The transparency afforded by TBM allows a closer alignment between IT spend and the value creation desired as a result of the merger or acquisition.

Since the wealth of information that TBM makes possible isn't just about who or what to cut, it improves a firm's ability to achieve the post-merger alignment goals that so often prove elusive. Any new business entity that results from M&A activity will naturally have new or consolidated IT initiatives, which can easily result in confusion and misdirection. Benchmarking will optimize those initiatives and the cost transparency data that attaches to them. For example, a comprehensive TBM view can help to identify, and build the business case, for cost savings opportunities created by outsourcing, or to pinpoint a savings opportunity within IT integration that ultimately translates into more competitive pricing. By leveraging TBM and the cost transparency benefits in the diligence phase, and modeling and aligning future cost structures, firms are much better positioned for success.

With TBM tools and methodologies, the same masterful strategy execution that improves outcomes during the M&A process supports the change management goals companies still have after the deal too, but those goals don't end with transaction and the transition. The real and measurable value in TBM is its transformative power across the entire enterprise. One area in which TBM makes sense – in fact, so much sense that it seems like common sense – is in governance. In our work with clients, we often hear how the end-to-end visibility achieved in their organizations helped them to "see" in ways they never could before, and identify weaknesses and loopholes in places where they never knew what they never knew.

When these governance issues become visible, it's far easier to design and implement processes that support new or strengthens existing frameworks to mitigate risk in operations, finance and other areas, not the least of which is IT itself. A TBM approach will standardize financial information, align benchmarking data to reduce the time needed to collect it, and simplify the historical trending and analysis that have always been at the heart of the business, and will remain a core value long after the M&A completion. The TBM alignment with Corporate Performance Management (CPM) means better strategic outcomes that are executed on the basis of real-time analysis and research to allow for fast and fluid adjustment within the rapidly evolving IT market space.

The dimensional approach to TBM emphasizes that process is continuous, so that decision makers always have an ongoing comparison of IT costs against industry peers, as well as internally between lines of business. The data analytics available in a TBM framework empower them to focus on the strategy of IT-driven transformational initiatives, and support the success and the benefits of those decisions. The TBM strategy keeps the "information" in IT so that the information is useful and delivers deep and actionable insights that lead to continued growth, value creation, and above all, ever-better information.

There's one thing that TBM and any M&A process already have in common, and that's the understanding that no deal is ever "done," because from a smart philosophical as well as practical standpoint, the end is always the beginning. We see with our clients that this information stage, after we've executed strategy and realized the value of that strategy, that continued emphasis on research, market data, training and other methods of advancing our "information" lead to new assessments of performance – and those assessments rely on the customer experience.

While we've emphasized that good answers to the "why is it important to me" question are important, and especially so when tackling some of the thorny transitional problems inherent in even the smoothest of M&A deals, we've looked here at the question from an internal standpoint. The reality of TBM is that it makes it easier to discover the real answer to this question, because the "why is it important" answer still lies with the customer.

Above all else, a well-designed TBM strategy connects the data dots between the business and the expectations of the customer. Those expectations are higher than ever, and an ever-evolving environment of connectivity means that the service levels and value that customers expect will only continue to grow. What TBM really does is ensure that your business grows with them.